

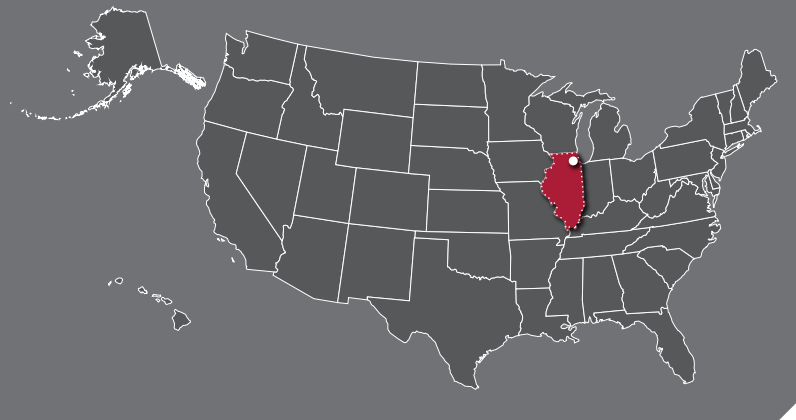
HUD PD&R Housing Market Profiles

Chicago-Naperville-Arlington Heights, Illinois



Quick Facts About the Chicago Area

- Current sales market conditions: slightly tight
- Current apartment market conditions: balanced
- McCormick Place, in the city of Chicago, is the largest convention center in North America. The 115 events held at the convention center in 2023 had a \$1.8 billion economic impact. The Democratic National Convention is scheduled to be held in Chicago in August 2024, with events at McCormick Place and United Center. It is expected to draw 50,000 attendees and have a \$150 million to \$200 million economic impact.



Chicago, Illinois

By [Marissa Dolin](#) | As of August 1, 2024

Overview

The Chicago-Naperville-Arlington Heights Metropolitan Division (hereafter, Chicago metropolitan division) is the largest and most populous of the four metropolitan divisions in the 14-county Chicago-Naperville-Elgin Metropolitan Statistical Area. The metropolitan division consists of Cook County, which includes the city of Chicago, and five surrounding counties—DuPage, Grundy, Kendall, McHenry, and Will. The area has more than 30 miles of lakefront on the southwestern shore of Lake Michigan, most of which is public beaches and parks. Historically, the area was a center for manufacturing, transportation, and financial services. The professional and business services sector is currently the largest sector, supported by corporate headquarters for 10 Fortune 500 companies, including those involved in the food production, insurance, and transportation industries. The home sales market is slightly tight, with the limited inventory of homes for sale contributing to upward pressure on home sales prices. Apartment market conditions are balanced, primarily because apartment construction and absorption have remained at relatively equivalent levels since 2020.

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- The population is estimated at 7.22 million as of mid-2023, down by an average of 56,650 people, or 0.8 percent, annually since 2020 (U.S. Census Bureau Decennial Census and July 1 estimates). The decline is primarily attributed to net out-migration from Cook County and, to a lesser extent, DuPage County. Net out-migration was strongest from 2020 to 2022, partially due to the COVID-19 pandemic, and has slowed in more recent years.
- The city of Chicago, the economic and population center of the metropolitan division, was home to 2.66 million residents

as of mid-2023 and is ranked the third largest city in the nation. The city currently accounts for 37 percent of the population in the metropolitan division and 44 percent of the area population loss since 2020.

- Despite the recent population decline in the metropolitan division, the number of residents in downtown Chicago has nearly tripled since 2000, from 8,600 to 25,300, a rate of growth exceeded by only three downtowns—Dallas, Texas; Durham, North Carolina; and Nashville, Tennessee (International Downtown Association/Chicago Loop Alliance).

Economic Conditions

Job growth occurred during the past 4 years, but gains slowed considerably during the past year. As of the 3 months ending July 2024, nonfarm payrolls averaged 3.85 million, up by 1,500 jobs, or less than 0.1 percent, from a year earlier, moderating from a gain of 68,300 jobs, or 1.8 percent, during the previous year. Similar to the HUD-defined Great Lakes Region, the Chicago metropolitan division was slower to recover from the 2020 recession, with nonfarm payrolls exceeding prerecession levels 1 year ago compared with the nation, which recovered 2 years ago. Nonfarm payroll sectors in the metropolitan division that had been gaining jobs during the period of economic recovery—including the mining, logging, and construction, the transportation and utilities, and the financial activities sectors—lost jobs during the most recent year.

As of the 3 months ending July 2024 —

- The largest job gain occurred in the education and health services sector, which increased by 14,100 jobs, or 2.2 percent, from a year earlier. Jobs increased in the private education industry and all three healthcare industries—ambulatory healthcare, hospitals, and nursing and residential facilities—but declined in the social assistance industry.
- The manufacturing sector also had notable growth, rising by 9,600 jobs, or 3.5 percent, from a year earlier. Gains were concentrated in the transportation equipment and the food manufacturing industries.
- Job losses were largest in the professional and business services sector, with payrolls falling by 26,700 jobs, or

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As of the 3 months ending July 2024, total nonfarm payrolls in the Chicago metropolitan division increased less than 0.1 percent from a year earlier.

	3 Months Ending		Year-Over-Year Change	
	July 2023 (Thousands)	July 2024 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	3,844.9	3,846.4	1.5	0.0
Goods-Producing Sectors	419.6	428.1	8.5	2.0
Mining, Logging, & Construction	142.8	141.6	-1.2	-0.8
Manufacturing	276.9	286.5	9.6	3.5
Service-Providing Sectors	3,425.3	3,418.2	-7.1	-0.2
Wholesale & Retail Trade	520.6	518.4	-2.2	-0.4
Transportation & Utilities	242.2	238.6	-3.6	-1.5
Information	72.0	70.2	-1.8	-2.5
Financial Activities	281.5	279.0	-2.5	-0.9
Professional & Business Services	713.5	686.8	-26.7	-3.7
Education & Health Services	629.1	643.2	14.1	2.2
Leisure & Hospitality	384.5	389.1	4.6	1.2
Other Services	160.3	165.1	4.8	3.0
Government	421.7	427.9	6.2	1.5
Unemployment Rate	4.3%	5.9%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics

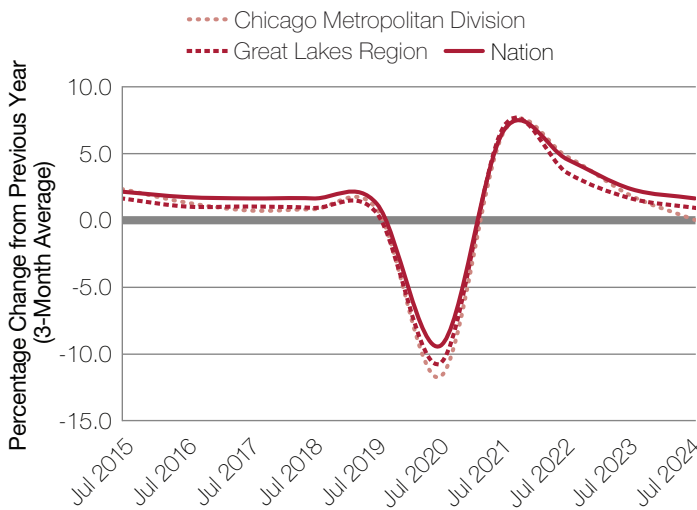


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3.7 percent. Within the sector, the professional, scientific, and technical services and the administrative and support and waste management and remediation services industries declined, each accounting for about one-half of job losses. The management of companies and enterprises industry was unchanged from a year ago.

- The unemployment rate increased to 5.9 percent, up from 4.3 percent a year earlier. Resident employment declined by 3,900, or 0.1 percent, and the labor force expanded by 59,900, or 1.6 percent, contributing to the rate increase. The current rate is the highest for the 3 months ending July since 2016.

Compared with the HUD-defined Great Lakes Region and the nation, nonfarm payrolls in the Chicago metropolitan division grew at a slower rate during the past year.



Source: U.S. Bureau of Labor Statistics

In July 2024, plans for a quantum computing campus known as Illinois Quantum and Microelectronics Park were announced. A large-scale PsiQuantum-operated computer will anchor the campus, which is on the site of a former U.S. Steel manufacturing plant south of downtown Chicago. It is anticipated to employ 150 workers when construction is complete in 2027. The quantum computer will be made available for other companies to rent and will require additional infrastructure support, both of which are expected to generate more jobs and economic impact. During the next decade, quantum computing and related technology are expected to generate \$50 billion to \$65 billion in economic impact and support 175,000 jobs (World Business Chicago). A quantum-testing facility, which will be supported by \$140 million from the federal Defense Advanced Research Projects Agency (DARPA), is also planned for the campus. The state of Illinois has committed more than \$500 million to support infrastructure improvements on the campus, workforce development at local universities and community colleges, and incentives to companies planning to locate on the campus.

Largest Employers in the Chicago Metropolitan Division

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Advocate Health Care	Education & Health Services	38,700
Amazon.com, Inc.	Wholesale & Retail Trade	30,100
Northwestern Memorial HealthCare	Education & Health Services	25,400

Note: Excludes all government employers.

Source: Cook County Annual Comprehensive Financial Report, 2023

Sales Market Conditions

The home sales market is currently slightly tight, with relatively strong price growth and a low inventory of homes for sale. The number of homes listed for sale has been declining since 2020, with an average of 11,800 homes on the market during the 12 months ending July 2024, down 16 percent from a year earlier and 40 percent below the recent high of 29,800 homes for sale in 2019 (CoreLogic, Inc.). Fluctuations in the mortgage interest rate, which affect the cost of a monthly mortgage payment, contributed to the decline in the inventory of homes for sale. Historically low interest rates in 2020 and 2021 increased demand for homebuying, reducing the number of days on the market before a home was sold. Rising mortgage interest rates in 2022 and 2023 and relatively elevated rates during

the first half of 2024 disincentivized existing homeowners with mortgages from selling their homes if they would need new mortgages at a higher rate. An expected reduction in the federal funds interest rate in September 2024 is expected to contribute to a moderation in the mortgage interest rate, bringing more prospective buyers and sellers to the market. Home sales have been declining since 2022, but the reduction in available homes for sale was faster, resulting in continued upward pressure on home sales prices.

As of the 12 months ending July 2024—

- The average home price, including new and existing homes, was \$396,300, up 7 percent from a year ago and accelerating

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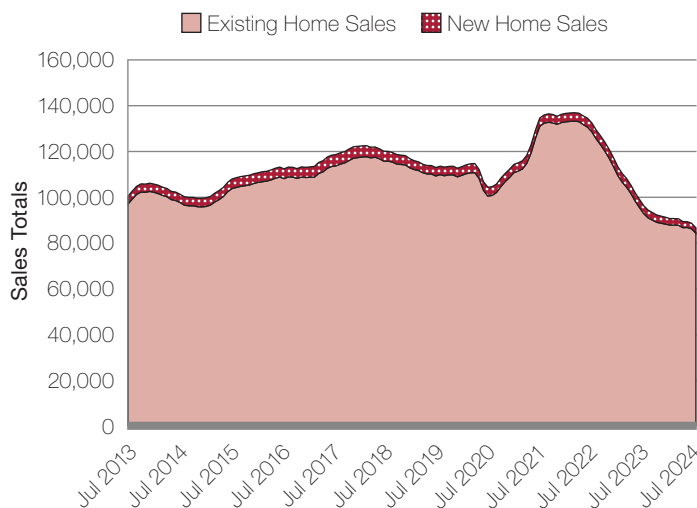
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from a gain of less than 1 percent during the previous 12 months. By comparison, price growth averaged 8 percent annually from 2020 through 2022 and 2 percent annually from 2015 through 2019.

- Total home sales declined to 85,550, down 9 percent from the previous 12 months, the third year of year-over-year decline. The number of homes sold during the past 12 months is the fewest home sales since 2012.
- New construction home sales, at 2,250, were down 33 percent from the previous 12 months and accounted for only 3 percent of total home sales. New home sales in the Chicago metropolitan division are a relatively smaller portion of total sales compared with the share of new home sales in the nation, which accounted for 10 percent of total sales.
- The average home price in Cook County was \$396,000, and home sales totaled 59,250, down 7 percent from a year ago. By comparison, the average home price was slightly higher in the five suburban counties at \$396,900, and sales totaled 26,250, falling slightly faster with a 14-percent decline from a year ago.

In response to declining new home sales and elevated mortgage interest rates, single-family home construction, as measured by the number of homes permitted, is down from the 2021 peak. However, construction increased during the most recent 12 months as the inventory of homes for sale remained low and mortgage interest rates stabilized.

As of the 12 months ending July 2024, the decline in home sales in the Chicago metropolitan division slowed compared with the previous 12-month period.

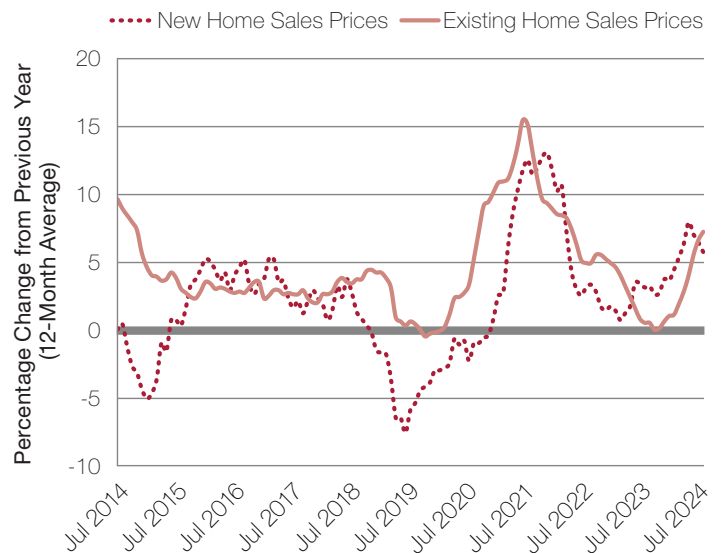


Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

- Single-family permitting averaged 4,225 during 2019 and 2020, peaked at 5,475 homes in 2021, then fell by an average of 540 homes, or 10 percent, annually from 2021 through 2023 to 4,400 in 2023.

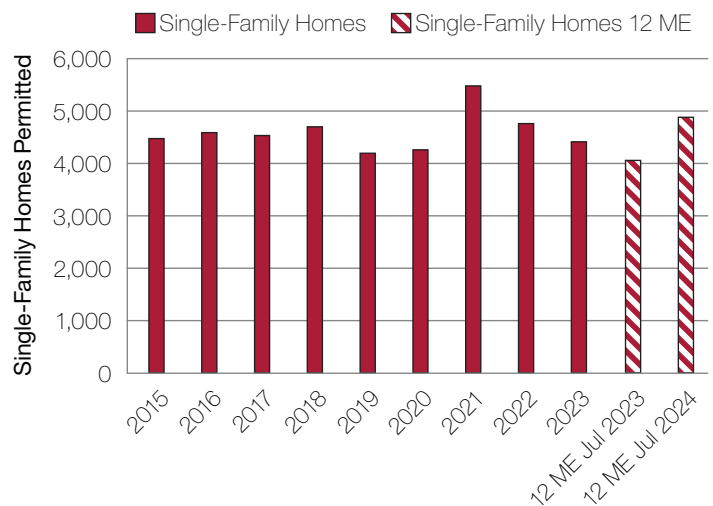
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The average sales prices for new and existing homes in the Chicago metropolitan division are increasing at faster rates than a year ago.



Note: Includes single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc.

Single-family permitting in the Chicago metropolitan division increased during the most recent 12 months compared with the previous 12 months.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2015–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

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- As of the 12 months ending July 2024, single-family permitting increased by 820 homes, or 20 percent, from the previous 12-month period to 4,875 homes. Much of the increase relative to the previous year occurred during the most recent 6 months, which coincided with increased expectations of a mortgage interest rate reduction that is expected to draw additional buyers into the market.
- In 2023, the largest share of single-family home construction occurred in Will County, with 29 percent of permitting,

followed by Cook County, with 23 percent, and McHenry County, with 19 percent of homes permitted. McHenry and Will Counties are suburban counties with vacant land available for new development. As the central and most populated county, Cook County is mostly built out, with limited vacant, available land. A portion of the homes permitted in Cook County, especially in areas with higher housing prices, are expected to have been “teardowns” that replaced existing, older housing units.

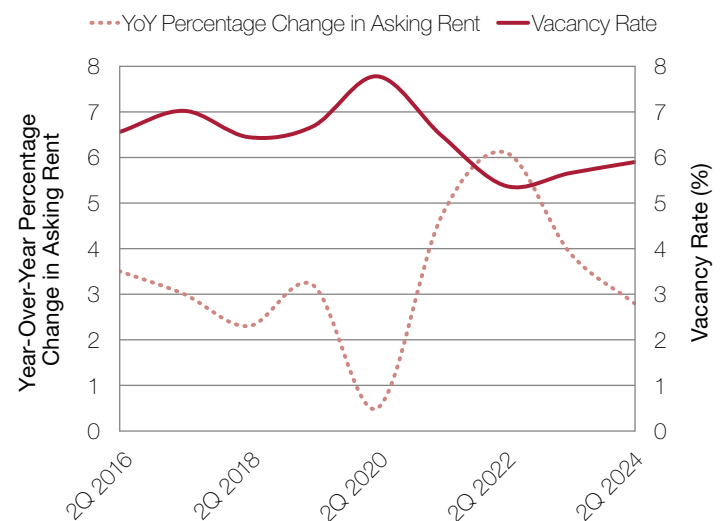
Apartment Market Conditions

Apartment market conditions are balanced, with rent growth near historical levels from the late 2010s and a vacancy rate that is slightly below historical levels. Unlike national apartment trends, which had rapid changes to rent growth and vacancy rates since 2020 because of the difference between the number of units completed and absorbed, fluctuations were more limited in the Chicago metropolitan division because the average number of units completed and absorbed have been relatively similar. In the metropolitan division, an average of 8,150 units were completed each year since 2020, and absorption averaged 8,400 units, or a ratio of 0.97 units completed for each unit absorbed. By comparison, an average of 1.24 units were completed in the nation for each unit absorbed during the same period, with absorption exceeding completions in 2021 and completions exceeding absorption in all other years.

Conditions in the professionally managed single-family rental market—a subset of the approximately 15 percent of rental units in the metropolitan division that are single-family homes—are currently slightly tight, with rapid rent growth. The average rent per square foot was \$1.83 in July 2024, up 11 percent from a year ago compared with a 9-percent average year-over-year increase during the previous 2 years and a 2-percent average annual increase from July 2015 to July 2019. The vacancy rate was 2.6 percent in July 2024, unchanged from a year ago and relatively similar to the July rate from 2015 to 2019, which ranged from 2.6 to 2.8 percent a year ago.

- In the metropolitan division, apartment rent averaged \$1,773 as of the second quarter of 2024, up 3 percent from a year ago. Recent rent growth has moderated from a second quarter peak increase of 6 percent in 2022 and matches the 3-percent average year-over-year increase from the second quarters of 2015 to 2019. Nationally, rent growth was slower, up only 1 percent as of the second quarter of 2024, down from a higher second quarter peak of 8 percent in 2022 and below the average 3-percent gain from the second quarters of 2015 to 2019.

As of the second quarter of 2024, rent growth is slower, and the vacancy rate is higher in the Chicago metropolitan division compared with the previous 2 years.



2Q = second quarter. YoY = year-over-year.
Source: CoStar Group

- As of the second quarter of 2024, the apartment vacancy rate, including units in lease up, was 5.9 percent, up from a recent second quarter low of 5.4 percent in 2022 and slightly below the second quarters of 2015 to 2019, when the rate ranged from 6.4 to 7.0 percent. Nationally, the apartment vacancy rate is at the highest level in more than 10 years at 7.9 percent, up from a recent low of 5.3 percent in the second quarter of 2021 and above the second quarter rate from 2015 to 2019, when it ranged from 6.1 to 6.4 percent.
- In all but one of the 27 CoStar Group-defined market areas in the metropolitan division, the average rent increased as of the second quarter of 2024 compared with a year ago. Gains ranged from 6 percent in four of the outlying suburban market areas to less than 1 percent in the Downtown Chicago market area and a 4-percent decline in the South Chicago market area.

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- The change in vacancy rates was mixed in the market areas, with 15 areas having a decline in vacancies, 11 areas with rising vacancies, and 1 area unchanged. Notable changes included a 1.2-percentage point increase in the Downtown Chicago market area to 8.6 percent and 0.5-percentage point decreases in the Des Plaines/Arlington Heights Corridor and the South Lakefront market areas to 4.1 and 6.2 percent, respectively.

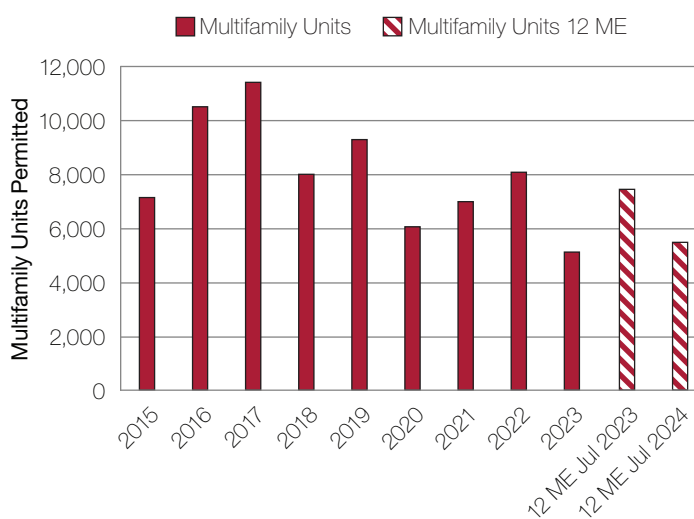
Coinciding with slower economic growth, multifamily construction, as measured by the number of units permitted, moderated during the past year.

- During the 12 months ending July 2024, multifamily permitting declined to 5,475 units, down by 1,975 units, or 26 percent, from the previous 12-month period. The decline in permitting coincided with moderating economic growth and slower absorption. In addition, the elevated interest rate is expected to have increased the cost of construction loans, reducing financial incentives for private developers to begin new projects.
- Permitting in the metropolitan division was at a recent high of 8,075 units in 2022, but the 2022 peak was below the average from 2015 through 2019 of 9,250 units annually. Companies moving offices from suburban parts of the metropolitan division to downtown Chicago in the late 2010s contributed to the elevated level of construction during the period in response to workers wanting to live close to their jobs. An increase in telework and hybrid work schedules since 2020 reduced demand for housing proximate to employment centers, such as downtown Chicago, where apartment construction is highly concentrated.
- In 2023, approximately 65 percent of multifamily permitting was concentrated in the city of Chicago, and 10 percent was in suburban Cook County. Kendall, DuPage, and McHenry Counties accounted for 10, 7, and 6 percent, respectively, of the multifamily units permitted, most of which were in larger

buildings with five or more units. Will and Grundy Counties have 2 and less than 1 percent, respectively, of multifamily units permitted, and most of those units permitted were in smaller buildings with two to four units.

- The Downtown Chicago market area has the most units under construction, with approximately 2,550 units, down from 4,350 units a year earlier. The 635-unit North Tower at 400 North DuSable Lake Shore Drive, which began construction in May 2024, is the largest project underway. It is expected to be complete in 2027. The site was initially intended to hold a 150-story condominium building known as “the Spire,” which began construction in 2007 but was paused after the foundation was completed.

Coinciding with slower economic growth, multifamily permitting slowed in the Chicago metropolitan division during the most recent 12 months compared with the previous 12 months.



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2015–23—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Absorption	The net change, positive or negative, in the number of occupied units in a given geographic range.
Apartment Vacancy Rate/Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including those that are stabilized and in lease up.
Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Existing Home Sales	Includes resales, short sales, and real estate owned sales. Resales are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party.
Home Sales/Home Sales Prices	Includes single-family, townhome, and condominium sales.
Rental Market/Rental Vacancy Rate	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.
Stabilized	A property is stabilized once it reaches a 90-percent or above occupancy rate or at least 18 months have passed since the property was changed from “under construction” to “existing” on the CoStar Group website.

B. Notes on Geography

1.	The metropolitan division and metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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